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DEPT FOR EUR/AGS, INR/EU, AND EUR/PPD FOR YVETTE SAINT-ANDRE

OSD FOR COMMANDER CHAFFEE

WHITEHOUSE FOR NSC/WEUROPE

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TAGS: [KPAO](#) [AU](#) [OPRC](#)

SUBJECT: AUSTRIAN MEDIA HIGHLIGHTS: November 13, 2006

SPOe Ultimatum Is Poison for the OeVP

11. The People's Party resents SPOe's demands that negotiations be resumed by Wednesday or not at all. SPOe boss Alfred Gusenbauer has threatened that he will "talk to the Federal President about alternatives," unless the OeVP returns to the negotiation table - the latter maintains that such an ultimatum is actually "poison" for future negotiations about the formation of a coalition government. The OeVP holds that the work of the two investigation committees about Eurofighter and banks has to be concluded first before further coalition negotiations can take place.

Among others, OeVP Minister of Economics Martin Bartenstein criticizes the SPOe's "unacceptable" ultimatum - after all, the Chancellor and SPOE boss Alfred Gusenbauer had agreed to meet again on Wednesday, reports independent daily "Der Standard." To set an ultimatum just 24 hours after such an agreement was "bad form." Bartenstein believes that it is possible for the committees to finish their job before Christmas and suggests to resume coalition negotiations at the beginning of the new year so as to have a stable government established in early February. In the meantime, more and more politicians from both parties voice their skepticism regarding a future 'grand coalition.' OeVP boss and Deputy Provincial Governor for Burgenland, Franz Steindl, for instance, has been doubtful from the start about the possibility of an SPOe/OeVP cooperation - there was no mutual trust and thus no common basis for such a cooperation. He blames the SPOe for not having attempted to create a positive atmosphere for talks. Former SPOe Chancellor Franz Vranitzky, on the other hand, has largely given up hope for a coalition and now opts for an SPOe-led minority government. Such a government could bring forth new initiatives in the areas of integration of foreigners and European policy. The former Chancellor also advocates a cabinet that contains not just party officials, but independent experts as well.

Bank Committee: Chancellor Will Meet with Bankers

12. On Monday, Federal Chancellor Wolfgang Schuessel and Minister of Finance Karl-Heinz Grasser have arranged to meet with top managers of Austrian banks to discuss the parliamentary bank committee. SPOe budget spokesman Christoph Matznetter has expressed concern about the "secret meeting" and effects on Austria as a financial location. He fears that this meeting will serve to undermine the investigation committee. The OeVP, in turn, rejects the SPOe criticism as "absurd" and maintains that the "damage" is already done. The Chancellor's Office strongly rejects the charges by the opposition that the meeting between the Chancellor and the bankers were "secret" consultations with the goal of making a special agreement. Schuessel's spokeswoman Heidi Gl|ck was quoted by independent daily "Der Standard" as saying that the meeting was about "minimizing the

damage the banks' reputation has suffered through the investigation committee." According to her, the goal of the meeting is to "find out the bankers' concerns and worries" in view of the committee's work. There would be no agreements made during this meeting, but bankers would get the chance to consider measures to counteract possible damage to their reputation, says Gluck.

#### Deadline for Bawag Offers Ends Today

13. Among the candidates for a possible purchase of the OeGB-owned Bawag are various US investment funds, such as Cerberus, but also the German "Bayrische Landesbank" and the Austrian Raiffeisenbank. The offers for the Bawag that have been received so far are rumored to be approximately 2 billion Euros, reports Oe1 radio morning news. The deadline for offers to buy the OeBG bank Bawag, which has been the center of scandal during the better part of this year, ends on Monday. Interested parties are required to present their offers and lay open their plans for the bank's future. The Austrian trade union organization ahs calculated that it needs 2.13 billion to clear its debt and wants to decide until the end of the year to whom it will sell the bank.

#### EU Discusses Sanctions for Turkey

14. On Monday, EU Foreign Ministers will discuss possible sanctions on Turkey for not fulfilling requirements for continuation of membership negotiations. Chief complaints are Turkey's failure to acknowledge Cyprus, and shortcomings in human rights and democracy. The Monday meeting is heavy duty for the EU Foreign Ministers, writes independent daily "Salzburger Nachrichten." Especially with regard to the Cyprus conflict, time pressure is on: Until the EU summit five weeks from now, a solution has to be found. The EU Commission has urged Turkey to open its ports and airports for traffic with Cyprus. Turkey, however, demands in exchange for this concession that the isolation of the Turkish Cypriots on the northern part of the island be lifted. Brussels, on the other hand, sees no connection between such a move and acknowledgement of the Republic of Cyprus through the Turks. "Salzburger Nachrichten" points out that there is also sympathy for the Turkish position among the EU states. After all, it was the Greeks in Southern Cyprus that had rejected the UN plan for reunification, while the Turkish North had agreed. The not very constructive position of the Cypriot government and new veto threats against negotiations with Turkey are also being criticized within the EU.

#### Bush Offers New Strategy

15. The White House no longer rules out holding direct talks with Iran and Syria about the situation in Iraq. According to White House Chief of Staff Joshua Bolton, all options are on the table and President Bush is open to new ideas. According to the British "Observer," Prime Minister Tony Blair has urged Bush to include the governments in Teheran and Damascus in "any possible solution" to the conflict. In view of the bloodshed last weekend with a new suicide attack in Baghdad, the US military command is debating a change of strategy in Mesopotamia, writes centrist daily "Die Presse." After the demise of US Secretary of State Donald Rumsfeld, the entire "war against terror" strategy is at stake, according to the "New York Times." There will apparently be a reassessment of the situation in Iraq, in Afghanistan, and other global hotspots. On Sunday, Iraq's Prime Minister Nuri al-Maliki announced a reshuffling of his government - he had been accused by the US of not doing enough to provide stability in Iraq. Independent daily "Salzburger Nachrichten" points out that, in the meantime, George Bush has resorted once again to his father's old mainstays for advice: His "Iraq Study Group" features Bush Sr.'s advisors, among others former Secretary of State James Baker and National Security Advisor Brent

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Scowcroft, who opposed George Jr.'s decision to go into Iraq.

#### Arab League Pessimistic About Middle East Peace Process

16. The US veto of a reprobation of Israel in the UN Security Council on account of its attack on the town of Hanoun in the northern Gaza Strip has met with heavy criticism. The Arab League strongly criticized this latest US veto of a resolution to condemn an Israeli military action in the region, calling Washington's veto

"incomprehensible" and declaring the peace process "totally finished." Meanwhile, radical Islamic Hamas for the first time has indicated readiness to participate in an international peace conference with Israel. The proposal of a comprehensive peace conference includes the Arab countries, Israel, and the permanent members of the UN Security Council, writes ORF online. The goal of such a conference would be to achieve a just and comprehensive solution to the Middle East conflict, emphasized Palestine Foreign Minister Mahmud el Zahdar, and added that the Hamas itself had advocated for the conference. So far, the Palestine government has always rejected a peace conference with Israel among the participants. Israel denies knowledge of the proposal, pointing out that Hamas cannot participate in negotiations with Israel as long as it does not acknowledge Israel's existence, renounce violence and accept valid agreements, writes ORF online.

#### Southern Ossetia Wants to Move Closer to Russia

[17](#). The region of Southern Ossetia, which seeks independence from Georgia, voted to continue its independent course in a referendum Sunday. Observers expect a clear vote in favor of separating from Georgia and moving closer to Russia. The political leadership in Georgia does not acknowledge the referendum - like the US, NATO, and the EU. It conducted a separate presidential election in the part of Ossetia that is under its control, writes centrist daily "Die Presse." Tiflis has reproached Russia with supporting the separatists in Southern Ossetia and thus provoking escalation in the Caucasian region.

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